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(Original Signature of Member)

115TH CONGRESS
1ST SESSION

H. R. _____

To amend the Higher Education Act of 1965 to provide for the refinancing
of certain Federal student loans.

IN THE HOUSE OF REPRESENTATIVES

Mr. ROKITA introduced the following bill; which was referred to the Committee
on _____

A BILL

To amend the Higher Education Act of 1965 to provide
for the refinancing of certain Federal student loans.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Student Loan Lower
5 Interest Rate and Lower Monthly Payment Refinancing
6 Act of 2017”.

1 **SEC. 2. REFINANCING PROGRAM.**

2 (a) PROGRAM AUTHORITY.—Part C of title I of the
3 Higher Education Act of 1965 is amended by adding at
4 the end the following:

5 **“SEC. 138A. REFINANCING CERTAIN FEDERAL STUDENT**
6 **LOANS.**

7 “(a) IN GENERAL.—To enable State, private and
8 nonprofit lenders to make loans at lower market-based
9 variable interest rates to all eligible borrowers for the pur-
10 pose of refinancing existing student loan debt incurred
11 pursuant to parts B, D, and E, of title IV, there are here-
12 by made available, in accordance with the provisions of
13 this title and title IV, such sums as may be necessary to
14 insure a portion of each loan, as set forth in this part,
15 and to otherwise make payments consistent with the terms
16 in this part.

17 “(b) DISCRIMINATION BY CREDITORS PROHIB-
18 ITED.—No agency, organization, institution, bank, credit
19 union, corporation, or other lender who regularly extends,
20 renews, or continues credit or provides insurance under
21 this part shall exclude from receipt or deny the benefits
22 of, or discriminate against any borrower or applicant in
23 obtaining, such credit or insurance on the basis of race,
24 national origin, religion, sex, marital status, age, or handi-
25 capped status.

26 “(c) DESIGNATION.—

1 “(1) IN GENERAL.—The program established
2 under this part shall be referred to as the ‘Student
3 Loan Lower Interest Rate and Lower Monthly Pay-
4 ment Refinancing Program’.

5 “(2) REFINANCING LOANS.—Notwithstanding
6 any other provision of this part, loans made to bor-
7 rowers under this part that, except as otherwise
8 specified in this part, have the same terms, condi-
9 tions, and benefits as loans made to borrowers under
10 section 428C, shall be known as ‘Refinancing
11 Loans’.

12 **“SEC. 138B. REFINANCING CERTAIN FEDERAL STUDENT**
13 **LOANS.**

14 “(a) IN GENERAL.—Beginning not later than 180
15 days after the date of enactment of the Student Loan
16 Lower Interest Rate and Lower Monthly Payment Refi-
17 nancing Act, the Secretary shall establish a process under
18 which eligible lenders may receive loan insurance from the
19 Secretary for the purpose of extending, upon the receipt
20 of an application from an eligible borrower, a loan to refi-
21 nance one or more eligible loans, in accordance with the
22 provisions of this section.

23 “(b) DEFINITIONS.—

1 “(1) DEFINITION OF ELIGIBLE BORROWER.—

2 For the purpose of this section, the term ‘eligible
3 borrower’ means a borrower who—

4 “(A) has one or more eligible loans;

5 “(B) is not subject to a judgment secured
6 through litigation with respect to a loan under
7 this title or to an order for wage garnishment
8 under section 488A; and

9 “(C) at the time of application for a Refi-
10 nancing Loan—

11 “(i) is in repayment status as deter-
12 mined under section 428(b)(7)(A);

13 “(ii) is in a grace period preceding re-
14 payment; or

15 “(iii) is a defaulted borrower who has
16 made arrangements to repay the obligation
17 on the defaulted loans satisfactory to the
18 holders of the defaulted loans.

19 “(2) TERMINATION.—An individual’s status as
20 an eligible borrower under this section terminates
21 upon receipt of a Refinancing Loan under this sec-
22 tion, except that—

23 “(A) an individual who receives eligible
24 loans after the date of receipt of the Refi-

1 nancing loan may receive a subsequent Refi-
2 nancing Loan;

3 “(B) eligible loans received prior to the
4 date of a Refinancing Loan may be added dur-
5 ing the 180-day period following the making of
6 the Refinancing Loan;

7 “(C) eligible loans received following the
8 making of the Refinancing Loan may be added
9 during the 180-day period following the making
10 of the Refinancing Loan; and

11 “(D) eligible loans received prior to the
12 date of the first Refinancing Loan may be
13 added to a subsequent Refinancing Loan.

14 “(2) ELIGIBLE LENDERS.—Entities eligible to
15 make Refinancing Loans, and receive default insur-
16 ance from the Secretary, shall be either—

17 “(A) State agencies described in subpara-
18 graphs (D) and (F) of section 435(d)(1);

19 “(B) other eligible lenders described in
20 subparagraphs (A) and (J) of such section,
21 which made or held loans prior to July 1, 2010;
22 and

23 “(C) any other entity that prior to July 1,
24 2010 made or held a loan as a beneficiary of

1 an eligible lender trustee agreement under part
2 B of title IV.

3 “(3) ELIGIBLE LOANS.—For the purposes of
4 this section, ‘eligible loans’ shall include any loan
5 made, insured or guaranteed under parts B, D, and
6 E of title IV.

7 “(c) REFINANCING ELIGIBLE LOANS.—Upon appli-
8 cation of an eligible borrower, an eligible lender shall repay
9 directly to the existing holder of each of that eligible bor-
10 rower’s eligible loans with the proceeds of a Refinancing
11 Loan in an amount equal to the sum of the unpaid prin-
12 cipal, accrued unpaid interest, and late charges of the
13 original eligible loans in order to discharge the eligible bor-
14 rower from any remaining obligation to the existing holder
15 with respect to the original eligible loans.

16 “(d) INTEREST RATES.—

17 “(1) IN GENERAL.—Notwithstanding the cur-
18 rent interest rates of the eligible loans being reffi-
19 nanced, the interest rate for the Refinancing Loan,
20 shall be a variable rate equal to no more than—

21 “(A) for the calendar quarter beginning on
22 July 1, 2015, and each subsequent calendar
23 quarter, the daily average of 1-month London
24 Inter Bank Offered Rate (LIBOR) for United
25 States dollars in effect for each of the days in

1 the prior calendar quarter as compiled and re-
2 leased by the British Bankers Association, plus
3 “(B) 3.5 percent per annum.

4 “(2) ADJUSTABLE RATE.—The applicable rate
5 of interest determined under paragraph (1) for a
6 Refinancing Loan under this section shall adjust on
7 the first day of each calendar quarter for the period
8 of the loan.

9 “(e) INSURANCE.—

10 “(1) DEFAULT INSURANCE.—The Secretary
11 shall provide default insurance on Refinancing
12 Loans and shall upon presentment with a defaulted
13 Refinancing Loan shall pay an amount, as set for
14 below, to the eligible lender in exchange for all
15 rights, title and interest to the Refinancing Loan.

16 “(2) DEFAULT.—

17 “(A) a Refinancing Loan is in default and
18 eligible for an insurance payment, if the Refi-
19 nancing Loan has, experienced at least 270
20 consecutive days of nonpayment; and

21 “(B) such state of nonpayment is not
22 caused by application of a deferment or forbear-
23 ance as described in section 435.

24 “(3) PHASE-OUT OF DEFAULT INSURANCE COV-
25 ERAGE.—To the extent an eligible lender provides

1 the Secretary with a defaulted eligible loan, the Sec-
2 retary shall pay to the eligible lender an amount
3 equal to—

4 “(A) for a default occurring in the first
5 five years from the date of disbursement of the
6 Refinancing Loan made, the Secretary shall in-
7 sure 97 percent of the unpaid principal and ac-
8 crued interest and fees;

9 “(B) for a default occurring in the second
10 five years (years six through 10) from the date
11 of disbursement of the Refinancing Loan, the
12 Secretary shall insure 87 percent of the unpaid
13 principal and accrued interest and fees; and

14 “(C) for a default occurring any point
15 after the tenth year after disbursement of the
16 Refinancing Loan, the Secretary shall insure 77
17 percent of the unpaid principal and accrued in-
18 terest.

19 “(f) INSURANCE FEES PAID TO THE SECRETARY.—
20 In lieu of any other fees or charges by the Secretary asso-
21 ciated with loans under this part, eligible lenders shall pay
22 to the Secretary—

23 “(1) a Default Insurance Fee equal to 0.50 per-
24 cent of the disbursed loan amount; and

1 “(2) a Monthly Insurance Fee payable each
2 month calculated on annual basis equal to 1.05 per-
3 cent of the average principal plus accrued unpaid in-
4 terest for the prior month of the Refinancing Loans
5 disbursed under this section.

6 “(g) NO SPECIAL ALLOWANCE.—No special allow-
7 ance under section 438 shall be paid with respect to the
8 portion of any Refinancing Loan.

9 “(h) TERMS AND CONDITIONS OF REFINANCING
10 LOANS.—

11 “(1) IN GENERAL.—A refinancing loan made
12 under this section shall have the same terms and
13 conditions as the loans authorized under section
14 455, except as otherwise provided in this section.

15 “(2) NO AUTOMATIC EXTENSION OF REPAY-
16 MENT PERIOD.—Refinancing a loan under this sec-
17 tion may, at the behest of the eligible borrower, re-
18 sult in the extension of the duration of the repay-
19 ment period of the loan. In addition, a borrower
20 may, at the time of the making the Refinancing
21 Loan, may enroll in any repayment plan for which
22 the eligible borrower is eligible in accordance with
23 section 455(d)(3).

24 “(3) BORROWER BENEFITS.—Eligible lenders
25 may offer any borrower benefits, including interest

1 rate and principal reductions as desirable in connec-
2 tion with Refinancing Loans. In addition to such
3 benefits, and any other benefits required of Consoli-
4 dation loans authorized under section 455—

5 “(A) Refinancing Loans may, to the extent
6 offered under the Direct Loan Program, also
7 offer—

8 “(i) an income contingent repayment
9 plan;

10 “(ii) an income-based repayment plan;

11 “(iii) a Pay as You Earn (PAYE) Re-
12 payment Plan; and

13 “(iv) the public service loan forgive-
14 ness program under section 455(m); and

15 “(B) Refinancing Loans shall, to the ex-
16 tent offered under the Direct Loan Program,
17 also offer—

18 “(i) the benefit for active duty service
19 members benefit offered under section
20 455(o);

21 “(ii) deferment as provided for in sec-
22 tion 435;

23 “(iii) forbearance as provided for in
24 section 435; and

1 “(iv) discharge for disability or death
2 of the borrower.

3 “(i) LOAN DISCHARGE.—In the case of loans dis-
4 charged under income contingent repayment, income-
5 based repayment, or public service loan forgiveness, or for
6 disability or death of the borrower, the Secretary shall,
7 upon such discharge, pay to the eligible lender an amount
8 equal to the unpaid principal and accrued interest.”.

9 (b) CONFORMING AMENDMENTS.—

10 (1) PART B.—Section 428C(a)(3)(B)(i) of the
11 Higher Education Act of 1965 (20 U.S.C. 1078–
12 3(a)(3)(B)(i)) is amended—

13 (A) in the matter preceding subclause
14 (I)—

15 (i) by inserting “, section 138A,”
16 after “An individual’s status as an eligible
17 borrower under this section”;

18 (ii) by striking “both sections” and
19 inserting “each such section”; and

20 (iii) by inserting “, a Refinancing
21 Loan under section 138A,” after “upon re-
22 ceipt of a consolidation loan under this sec-
23 tion”; and

24 (B) in subclause (III), by striking the
25 semicolon and inserting “; and”;

1 (C) in subclause (IV), by striking “; and”
2 and inserting a period; and

3 (D) by striking subclause (V).

4 (2) PART D.— Section 455 of the Higher Edu-
5 cation Act of 1965 (20 U.S.C. 1087e) is amended—

6 (A) in subsection (a), by adding at the end
7 the following:

8 “(4)(A) CONSOLIDATION OF REFINANCING
9 LOANS.—Notwithstanding any provisions of this
10 part, eligible borrowers may consolidate Refinancing
11 Loans authorized under section 138A into a Direct
12 Consolidation Loan in the event that the interest
13 rate on each such Refinancing Loan exceeds 6.875
14 percent for the quarter.

15 “(B) ELIGIBILITY PERIOD.—Any application
16 for a Consolidation Loan that includes Refinancing
17 Loans under this paragraph must be received by the
18 Secretary by the end of a quarter during which the
19 Refinancing Loan interest exceeds 6.875 percent.”;
20 and

21 (B) by adding at the end the following new
22 subsection:

23 “(r) REPAYMENT TERMS FOR FEDERAL FAMILY
24 EDUCATION LOANS.—

1 “(1) APPLICABILITY OF PROGRAMS AVAILABLE
2 UNDER THIS SECTION.—The Secretary shall apply
3 subsections (d), (e), (f), (l), (m), and (o) to all loans
4 made under part B as if such loans were made
5 under this part.

6 “(2) PAYMENT OF BALANCE AND INTEREST.—
7 In carrying out paragraph (1), the Secretary shall
8 pay to the holder of a loan made under part B the
9 amount of principal, interest, or special allowance
10 payments necessary to apply subsections (d), (e), (f),
11 (l), (m), and (o) to such loan, as appropriate.”.

12 **SEC. 3. OFFSET.**

13 (a) PUBLIC SERVICE LOAN FORGIVENESS.—Section
14 455(m) of the Higher Education Act of 1965 (20 U.S.C.
15 1087e(m)) is amended—

16 (1) in paragraph (1), by striking “The Sec-
17 retary” and inserting “Except as provided in para-
18 graph (2)(B), the Secretary”; and

19 (2) in paragraph (2)—

20 (A) by striking “After the” and inserting
21 the following:

22 “(A) IN GENERAL.—Except as provided in
23 subparagraph (B), after the”; and

24 “(B) CAP ON LOAN CANCELLATION.—With
25 respect to any eligible Federal Direct Loans

1 made to a new borrower on or after July 1,
2 2017, the Secretary may cancel, in accordance
3 with subparagraph (A), up to \$57,500 of the
4 obligation on such loans.”.

5 (b) INCOME-BASED REPAYMENT.—Section 493C of
6 the Higher Education Act of 1965 (20 U.S.C. 1098e) is
7 amended by adding at the end the following:

8 “(f) SPECIAL TERMS FOR NEW BORROWERS ON AND
9 AFTER JULY 1, 2017.—Subsection (e)(2) shall not apply
10 with respect to any loan made to a new borrower on or
11 after July 1, 2017, for enrollment in a graduate or profes-
12 sional program.”.